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Contact: Stan Devereux
Patrick Hill
(916) 653-0665

**TREASURER FONG ANNOUNCES SALE OF \$70 MILLION
IN COMMERCIAL PAPER NOTES**
Commercial Paper Program for GO Bonds Begins

SACRAMENTO--In a milestone event for the State of California, State Treasurer Matt Fong today issued tax-exempt commercial paper to finance the state's general obligation (GO) program, the use of which will lead to expected annual savings of \$10 million for the state's taxpayers.

The \$70 million commercial paper sale is the first since legislation, sponsored by Treasurer Fong, was signed by Gov. Wilson last month authorizing the use of this debt instrument for GO programs. For years, past treasurers lobbied lawmakers for the use of commercial paper as a flexible financing tool.

"Commercial paper is a long time in coming for the State of California," said Fong. "We are one of a few states which use commercial paper and, given our size, will likely become the largest issuer, generating millions of dollars in savings for the state's taxpayers."

Last year, for example, taxpayers would have saved \$14 million if the program had been in place.

The TXCP program for GO bonds is backed by a \$1 billion line of credit from a banking syndicate headed by Morgan Guaranty. Commercial paper, with maturities up to 270 days, will be issued periodically by the state to help departments meet financing requirements. Proceeds from today's sale will be used for various projects authorized under voter-approved GO bond acts. Long-term GO bonds will be sold to retire the TXCP.

"Our commercial paper is rated in the highest category and offers the best security you can get," said Fong.

The TXCP program will allow the state to realize savings over other short-term debt instruments, like the Pooled Money Investment Account. TXCP also provides less costly financing than using long-term bonds while the GO programs are spending money. Under certain interest rate conditions, the

interest rate savings could be as high as 200 basis points, or two percent. Annual interest savings on an average balance of \$500 million will be about \$10 million.

Goldman Sachs leads the underwriting team, which includes Morgan Stanley and Lehman Brothers.

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